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'3rd Generation' Truck Stops Coming: NATSO

Why Small Jobber Likes 'Mini-centers'

Majors Urged to Rebuild TBA at Stations

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NATIONAL PETROLEUM NEWS

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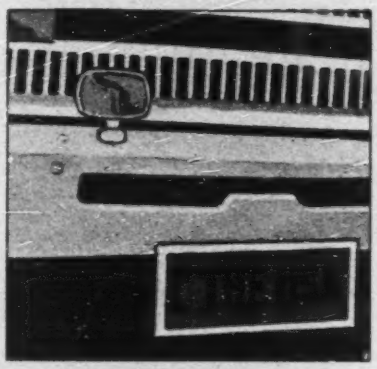
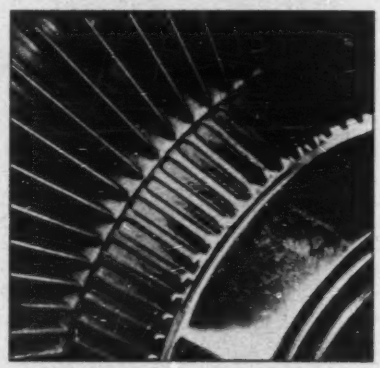


So far, 1986 has been marked by huge price swings and margins that went from thin to fat to thin again. With demand up 3%, oil company marketing staffs are cast as heros and the rallying cry is 'Boom Times Again.' **Page 34**



While oil company support of TBA has weakened overall the past few years, those in the business seem to be more enthusiastic than ever about the opportunities for service stations. **Page 38**

With nearly 11 billion gal./year of diesel fuel at stake, the operators of approximately 2,000 on-highway and 1,000 off-highway truck stops are in a sharply competitive business with an uncertain future. **Page 44**

NPN

NATIONAL PETROLEUM NEWS JULY 1986

Out on a Limb: Forecasts Peer Into 'Roller Coaster' 2nd Half of 1986

Updated forecasts by Federal Energy Administration and Independent Petroleum Assn. of America indicate that gasoline marketers may be in for some of their wildest roller coaster rides yet this summer and on into the wintry months of the fourth quarter.

Both forecasts agree that gasoline demand should be up this summer and throughout the rest of the year as well—roughly 200,000 b/d more than 1985. That's about 3%—not a spectacular increase in its own right but nevertheless more satisfying than the January forecasts which assumed that consumption would be generally flat this year and not appreciably better than the preceding 12 months.

Coupled with that, however, was a drastic, downward revision by the federal forecasters of their January projections on retail prices.

They are now assuming that the average retail price for all three grades of gasoline will be 29¢ gal. below last summer. Their average for the third and fourth quarters is 94¢ gal. compared with last January's projections of $1.14 and $1.11 gal.

They recognize they are on shaky grounds, however, and that the volatility of the marketplaces is such that anything can happen.

"At no time in recent history has the U.S. energy market been so difficult to forecast," EIA said in its most recent Short-Term Energy Outlook, dated April but issued in early-May.

Prices are changing daily and drastically, EIA continued, with "these changes not being determined by fundamental market forces but rather by production decisions of other countries, mainly Saudi Arabia," half a world away.

The crude oil market collapsed last winter and product prices spun downwards in headswimming fashion.

EIA said that it had assumed in its current forecast that crude prices would range between $10 to $20 bbl. The former relates to what now appears to be the bottoming-out level in March/April, and the latter parallels industry hopes that the upward trend would reach the high teens or even $20 bbl. by the end of this year.

Have a care, however, the government said. "Because of the uncertainty sur-

(Continued on following page.)

'Fantastic' Margins Add Luster To Routine API, SIGMA Meetings

Seldom in recent years have gasoline marketers and suppliers exhibited such warm collegiality and expansiveness as permeated the twin meetings of Society of Gasoline Marketers of America and American Petroleum Institute in Orlando, Fla., in mid-May.

True, upstream, the suppliers were being devastated with billion-dollar cutbacks in capital spending programs and meat-axe curtailments of personnel rosters.

Downstream, it was a whole new world, even with crude and product prices plummeting as they never have before. Margins were good to fantastic in the first four months, according to corridor conversations—from 7¢ gal. on up to the low to mid-20s in some cases. The outlook was even better: Demand was up, supplies were abundant and the summer consumption curve was beginning to look like it might be at peak or near-peak levels in July and August.

Neither marketers nor suppliers were kidding themselves about how long it was going to last, however. Most expect the demand thirst to quench to projected levels—about 7 million b/d—by the end of the year. There was much hope that crude oil would continue to edge upward so that by year's end it would be around the $18 to $20 bbl. level for Texas intermediate and foreign spot. Not a benchmark by any means, it would be nevertheless much, much better than the $10 to $12 cellars it fell to in the first quarter.

The programs for the twin Florida meet-

(Continued on Page 27.)

Analyst S. Frank Culbertson tells the SIGMA luncheon that refiners have less flexibility now to adjust to market swings. Oil producer Roland Routhier listens at left.

Second Half '86 Forecasts, Continued . . .

rounding energy markets, more attention than usual should be given to alternative projections because the world oil price could easily move to the extremes of the range assumed in this analysis."

This is where the fun begins.

The median range projects the average retail price for all three grades at $1.10 gal. in the first quarter, 90¢ gal. in the second, and 94¢ gal. in the third and fourth for a year-long average of 94¢ gal.

In contrast, the low projection sees retails at 80¢ gal. in the second and third quarters and 88¢ gal. for the year-long average. The high side is $1.05 to $1.07 for a year-long average of $1.05.

The outlook for the first half of 1987 isn't much brighter.

EIA said it anticipates a median price of 95¢ to 97¢ gal. in the first half with possible lows of 83¢ to 87¢ and possible highs of $1.09 to $1.12.

Other products follow the same pattern. No. 2 heating oil (retail) isn't expected to get above $1 gal. all next winter. It is expected to average 81¢ gal. in 1986 (ex-taxes) compared with $1.05 in 1985, and not more than 85¢ gal. (ex-taxes) in first quarter 1987.

IPAA does not make price projections in its semi-annual forecasts.

It might be noted, however, that IPAA's spring revision of its 1986 forecast is a bit more optimistic than that of the federal government.

IPAA anticipates a gasoline demand growth of 3.6% in the third quarter and 4.5% in the fourth for a year-long gain of 3.4%. On the other hand, EIA projects an increase of 3.3% in the third quarter and 3.0% in the fourth for a year-long average of 2.6%.

Residual fuel growth—or nongrowth—is a small bone of contention between the forecasters. The government projects a continuation of the decline of recent years, while IPAA believes this erosion is over for the present and that demand may be up 5.0% for the year, mostly as a result of lower prices that are especially appealing to the industrial and power-generating sectors.

Distillate demand is expected to be up, too, more a result of the needs of the transportation sector than space-heating.

There is also disagreement on the matter of gasoline imports.

EIA says the gasoline imports will average 370,000 b/d in 1986, down slightly from 1985's 380,000 b/d. On the other hand, IPAA foresees gasoline imports of 438,000 b/d in 1986 versus 442,000 b/d in 1985, also a small decrease. NPN

Federal Update: Demand Up, Prices Down

	1st Qtr		2nd Qtr		3rd Qtr		4th Qtr		1st Qtr	2nd Qtr	Full Year		%
	1986	1985	1986	1985	1986	1985	1986	1985	1987	1987	1986	1985	Change
SUPPLY/DEMAND (million b/d)													
Motor Gasoline (total)	6.63	6.49	7.14	6.98	7.19	6.96	7.03	6.82	6.63	7.14	7.00	6.82	2.6%
Leaded	2.12	2.41	2.09	2.56	1.98	2.40	1.81	2.31	1.62	1.66	2.00	2.42	(17.4)
Unleaded	4.51	4.09	5.04	4.42	5.21	4.56	5.22	4.56	5.01	5.48	5.00	4.39	13.9
Distillate Fuel Oil	3.35	3.28	2.82	2.65	2.72	2.56	3.08	2.96	3.22	2.86	2.99	2.86	4.5
Residual Fuel Oil	1.36	1.36	1.22	1.15	1.05	1.05	.99	1.22	1.35	1.11	1.15	1.19	(3.4)
Other Products	4.71	4.68	4.82	4.67	5.26	4.99	5.17	4.97	4.88	4.82	4.19	4.82	3.5
Total U.S.	16.05	15.81	15.99	15.45	16.22	15.56	16.27	15.96	16.22	16.00	16.13	15.70	2.7
PRICES ($ per gal.)*													
Motor Gasoline (Avg. All Grades)	1.10	1.14	.90	1.22	.94	1.22	.94	1.20	.95	.99	.97	1.20	(19.2)
Low Projection	.82	—	.82	—	.80	—	.80	—	.83	.87	.88	—	—
High Projection	.97	—	.97	—	1.05	—	1.07	—	1.08	1.12	1.05	—	—
No. 2 Diesel Oil (Retail)	1.13	1.14	.93	1.15	.93	1.12	.96	1.21	1.00	.99	.99	1.16	(14.7)
Low Projection	—	—	.86	—	.81	—	.84	—	.87	.89	.90	—	—
High Projection	—	—	1.00	—	1.03	—	1.06	—	1.13	1.12	1.06	—	—
No. 2 Heating Oil													
Wholesale	.64	.76	.48	.76	.48	.73	.52	.83	.56	.54	.53	.77	(31.2)
Low Projection	—	—	.38	—	.35	—	.40	—	.43	.44	.44	—	—
High Projection	—	—	.56	—	.59	—	.65	—	.69	.67	.61	—	—
Retail	.98	1.05	.76	1.03	.73	.98	.79	1.07	.85	.80	.81	1.05	(22.9)
Low Projection	—	—	.67	—	.59	—	.65	—	.70	.87	.72	—	—
High Projection	—	—	.83	—	.84	—	.93	—	1.00	.94	.89	—	—
No. 6 Residual (Avg. Sulfurs)	.46	.68	.33	.60	.35	.57	.39	.59	.41	.41	.38	.61	(37.7)
Low Projection	—	—	.22	—	.23	—	.28	—	.30	.32	.30	—	—
High Projection	—	—	.41	—	.45	—	.50	—	.53	.53	.46	—	—

*Gasoline and No. 2 Diesel Oil include federal and state taxes; No. 2 Heating Oil and No. 6 Residual do not.
Source: Energy Information Administration, Short-Term Energy Outlook (April) May 1986.

IPAA Forecast for Principal Products

	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Full Year 1986	Full Year 1985	% Change
SUPPLY/DEMAND (million b/d)							
Motor Gasoline (total)	6.67	7.19	7.22	7.13	7.05	6.82	3.4%
Distillate Fuel Oil	3.53	2.83	2.73	3.15	3.06	2.98	2.7
Residual Fuel Oil	1.37	1.20	1.15	1.29	1.25	1.19	5.0
Other Products	4.69	4.71	4.96	4.87	4.81	4.70	2.3
Total U.S.	16.264	15.921	16.047	16.434	16.166	15.696	3.0

N.B. Data for 1985 quarters, etc., are approximately the same as the 1985 data in the EIA table.
Source: IPAA Supply-Demand Reports—May 1986.

Seven Major Oil Companies' Personnel Cuts Since 1980

Depending on who you talk to, the restructuring of the seven largest U.S. oil companies since the beginning of this decade was either inevitable or a response to market conditions.

Since President Reagan decontrolled oil prices and supplies in January, 1981, the major oil companies have been reshaped and trimmed until they are vastly different from what they were then. And it's still going on today.

Does the latest round of personnel cutbacks and retirement offerings indicate restructuring is drawing to a close? That question won't be answered for several years yet.

NPN asked the seven largest oil companies what "restructuring" meant to them and how far they've reduced their payrolls.

AMOCO

It sees restructuring as much more than operating with fewer employees. Mainly, Amoco says, it means that each division stands alone competitively and profitably. "Each business unit, whether it is a service station, marketing area or product line, must stand on its own feet and cannot act as a 'drag' on the company as a whole," says an Amoco spokesman.

In 1985, Amoco realigned its marketing management structure to get its personnel "closer to the field." Five district and three regional offices were closed and the company went from three marketing areas to two zones. The effect was to remove an entire layer of management from marketing [*NPN*—June '85, p12]. Also of key importance at Amoco these days are company-wide guidelines on profitability and return on investment which are applied to properties and product lines alike.

In May, Amoco announced it was trimming some 400 jobs in its corporate division, mainly at its Chicago headquarters. This followed by a month an announced cutback of 1,500 personnel in the company's exploration and production division.

Personnel reductions have come mainly through attrition and early retirements, the company said.

ARCO

Arco claims it has been trimming back on all staffing levels for the past decade. Marketing staff levels were greatly affected twice in the past five years. First in 1982, when Arco "blew up" its credit card, many marketing division personnel in jobs related to credit card operations were either transferred or laid off.

Then, in 1985, Arco began its retreat from all marketing operations east of the Mississippi River [*NPN*—July '85, p36].

CHEVRON

In its move to trim operating costs, Chevron announced in April it planned to cut its corporate employment level by 10 to 15%. An inter-divisional task force was asked to devise plans by which each unit would cut its staff levels by those amounts. The plans are to be submitted to corporate level by this month for further evaluation.

EXXON

It began its largest staff reduction to date in April with details of a severance program mailed to some 40,500 domestic employees. By early June, 6,200 had agreed to quit or take early retirement, allowing the company to meet its initial goal for staff reductions. Exxon had said if it didn't reach its target, it would begin involuntary reductions. Company management stated it has begun to re-examine all of its operations in light of recent changes in the industry with an eye toward increasing efficiency and profitability.

MOBIL

In 1984, Mobil personnel increased by some 6,000 employees through its acquisition of Superior Oil Co. and several smaller companies. By year end 1985, many of these employees were no longer with Mobil, a company spokesman says. At this year's annual meeting, Mobil announced a wage and hiring freeze [*NPN*—June '86, p13]. The spokesman says the company has stated that these cost-cutting measures may not be all that are needed.

In late-May, Mobil said it was reducing the staff level of two of its international refining and marketing units by 70 people as part of its bid to cut worldwide staff 20%.

SHELL

The company says there have been no layoffs or reductions in personnel in 1986. However, "some personnel are being shifted" to other areas within the company, according to a spokesman. In addition, the exploration and drilling arms are being "looked at" as possible areas for reductions in personnel.

TEXACO

Texaco "absorbed" some 19,000 employees in 1984 with its acquisition of Getty Oil Co., giving Texaco its largest petroleum staff over the past six years with about 68,100 employees. The latest personnel count shows a reduction of 13,600 employees since then.

COMPANY	1986(A)	1980
Amoco Corp.		
Corporate (Dom.)	49,545	56,401
Amoco Oil Co.	10,215	13,864
Marketing	2,399	4,180
Atlantic Richfield Co.		
Corporate	1,300	53,362
Marketing	732	31,300
Chevron Corp.		
Corporate	61,000	40,200
Exxon Corp. (B)		
Corporate (Int.)	146,000	177,000
Exxon USA	26,000	29,000
Mobil Corp.		
Mobil Oil Co.	58,600	63,100
Royal Dutch/Shell		
Corporate (Int.)	142,000	181,000
Shell USA	35,167	36,596
Texaco Corp.		
Texaco USA	54,481	68,745

(A) Most 1986 figures are year-end 1985.
(B) Peak year 1981: Corp. 180,000; Exxon USA 31,000